

FISCAL MEMORANDUM

HB 4203 – SB 4203

May 14, 2008

SUMMARY OF AMENDMENT (016293, 018650): Changes various provisions to the *Tennessee Insurance Producer Licensing Act* to include: sets the amount of compensation for a referral from an unlicensed person to a licensed producer at a fixed amount, not to exceed \$25; specifies acts that are considered unfair trade practices for insurance producers; specifies that persons selling insurance in this state for an insurance company not authorized to do business in this state commits a fraudulent insurance act and is punished as in the case of theft. Amendment 018650 allows the Commissioner discretion to waive any continuing education requirements imposed by Tenn. Code Ann. §56-6-107.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$3,400/Incarceration*

Other Fiscal Impact - Changing the license renewal date for insurance producers from every two years on the anniversary date in which the license was issued to the last day of the producer's birth month could result in a shift of revenue from one collection month to another. However, the net impact of such shift is estimated to be not significant on the collection of license fees to the Department of Commerce and Insurance.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions applied to amendment:

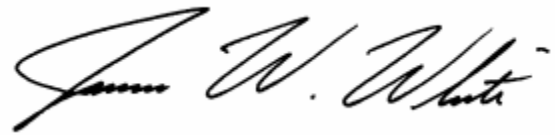
- One person every two years will be convicted of a Class E felony offense with 0.3 years time served (109.58 days) for selling insurance for an insurance company not authorized to do business in this state. The annualized time served per conviction is 54.79 days (0.50 annual number of convictions x 109.58 days served). According to the Department of Correction, the average operating cost per inmate per day for calendar year 2008 is \$62.78. The annualized cost per conviction is \$3,439.72 (\$62.78 x 54.79 days).

- According to the U.S. Census Bureau, population growth in Tennessee has been 1.09 percent per year for the past 10 years, yielding a projected compound population growth of 13.6 percent over the next 10 years. No significant incarceration cost increase will occur due to population growth in this period.
- Any cost associated with the collection of fingerprints and a criminal history records check will be paid by the applicant seeking licensure.
- Any cost to the department to enforce the provisions of the bill can be accommodated within existing resources without an increased appropriation or reduced reversion.

**Tennessee Code Annotated, Section 9-4-210, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated from recurring revenues shall be based upon the highest cost of the next 10 years.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rct